STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

HEALTHWISE

of

Salt Lake City, Utah

as of

December 31, 2008

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January 29, 2010

Honorable Neal T. Gooch
Acting Insurance Commissioner
State of Utah
3110 State Office Building
Salt Lake City, UT 84114

Commissioner:

Pursuant to your instructions and in compliance with statutory requirements, an examination, as of December 31, 2008, has been made of the financial condition and business affairs of:

HEALTHWISE
Salt Lake City, Utah

a Utah domiciled health maintenance organization. The examination was conducted at its administrative offices located at 100 SW Market Street, Portland, Oregon. The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

HealthWise, hereafter referred to as the "Company" or the "Organization", was last examined by representatives of the Utah Insurance Department (the Department) as of the period ending December 31, 2005. The present examination was conducted by examiners of the Department, Oregon Department of Insurance and by Huff, Thomas and Company and covered the period of January 1, 2006 to December 31, 2008, which included any material transactions and/or events occurring noted during the course of this examination and subsequent to the examination date.

A letter or representation attesting to the Organization's ownership of all assets and to the nonexistence of unrecorded liabilities was signed by and received from the Organization's management at the conclusion of the examination.

Examination Procedures Employed

A coordinated examination of the insurers of The Regence Group (TRG) domiciled in Oregon and Utah was conducted in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the company by obtaining information about the company including corporate governance, identifying and assessing inherent risks within the company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the company were considered in accordance with the risk-focused examination process.

Representatives from the States of Oregon and Utah participated on the examination. Oregon acted in capacity of the lead state.

The Department relied on the independent actuarial review conducted by Scott Fitzpatrick, F.S.A., and M.A.A.A., of the Department of Consumer and Business Services, Oregon Insurance Division. His analysis of the Organization's loss and loss adjustment expense reserves determined the liabilities were adequate as of December 31, 2008, and no adjustments were made to the amounts reported in the 2008 Annual Statement filed with the Department.

In conducting the examination, the examiners relied upon independent audit reports by Deloitte & Touche, LLP, and the opinions contained within for the examination period. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

The examination was conducted in accordance with procedures and guidelines prescribed by the NAIC for the purpose of determining the Organization's financial condition. Examination procedures included the verification and evaluation of assets, a determination of liabilities, and review of income and disbursement items, minutes, corporate documents, policy and claim files, and other records to the extent deemed necessary.

Status of Prior Examination Findings

The previous examination was performed by the Department as of December 31, 2008. Items of significance commented on in the prior examination report were resolved during the current examination period or have been disclosed in the "Summary" section of this report.

SUMMARY OF SIGNIFICANT FINDINGS

Custodial Agreement

The examiner reviewed the custodial agreements to determine the Company's compliance with Rule R590-178-5, Requirements for Custodial Agreements. Although the custodial agreements included all of the required elements the rule also required an approval by the Board of Directors or an authorized committee of the board.

- Rule R590-178-5 states that Custodial Agreements shall be in writing and shall be authorized by a resolution of the Board of Directors of the insurance company or of an authorized committee of the board pursuant to Utah Code Annotated (U.C.A). 31A-5-412. A committee designated under this Subsection (1) shall consist of three or more directors serving at the pleasure of the board.

- Subsequent to the examination date, on December 7, 2009, the Company's investment committee approved the custodial agreements with BNY Mellon, US Bank and Bank of America.

We recommend that henceforth, when implementing or changing custodial agreements, the Company comply with Rule R590-178-5 and obtain authorization by a resolution of the Board of Directors or an authorized committee of the board in its custodial agreements.

SUBSEQUENT EVENTS

There were no material events subsequent to the balance sheet date that required disclosure in the examination report.

COMPANY HISTORY

General

The Organization was incorporated on August 10, 1982, under the laws of the State of Utah as a capital stock, for profit, Health Maintenance Organization. The Organization commenced business as a separate entity on September 1, 1982, and was granted a Federal Certificate of Qualification on August 8, 1984.

Blue Cross and Blue Shield of Utah owned 100% of the outstanding stock of the organization from its inception to December, 1986, at which time ownership of all corporations affiliated with Blue Cross and Blue Shield of Utah was transferred to BCSU Corporation. BCSU

Corporation filed Articles of Dissolution on December 31, 1987, and ownership of the Organization reverted back to Blue Cross and Blue Shield of Utah in January, 1988.

In May of 1996, Blue Cross and Blue Shield of Utah announced its intention to affiliate with The Benchmark Group, an Oregon nonprofit corporation consisting of Blue Cross and Blue Shield plans located in the northwestern United States. On August 1, 1997, The Benchmark Group became known as The Regence Group (TRG). Blue Cross and Blue Shield of Utah changed its name to Regence BlueCross BlueShield of Utah during December 1997.

Capital and Surplus

The Organization authorized 300,000 shares of common capital stock each having a par value of $10. The number of shares issued and outstanding as of year-end 2008 totaled 19,168, which were all owned by Regence BlueCross BlueShield of Utah.

Dividends to Stockholders

The Organization did not declare or pay any dividends or make any distributions during the period under examination.

Mergers and Acquisitions

The Company was not involved in any acquisitions, mergers, disposals, dissolutions, or purchases and sales through reinsurance during the examination period.

Surplus Debentures

There were no surplus debentures issued or retired during the years covered by this examination.

CORPORATE RECORDS

Articles of Incorporation

No amendments were made to the Articles of Incorporation during the period under examination.

Bylaws

The Company adopted two amendments to the corporate bylaws during the period under examination. On August 7, 2006, the Board of Directors approved a resolution to amend the bylaws to make technical changes to conform to language consistent with TRG and other affiliates. On February 4, 2008, the Board approved a resolution to reduce the number of directors to between three and five members, and to require a majority of directors be residents of the state of Utah.

Minutes

Minutes of the meeting of board members, directors and committees were reviewed. The minutes indicated the Company operates within the scope of its authority and the directors were properly informed of and participated in the affairs of the Company. Generally, at each annual board meeting, a detailed report of investment transactions since the previous meeting is presented and approved. Overall, the minutes of the meetings of members, directors and committees adequately supported the Company's transactions and events. On December 1, 2008, the Department examination report as of December 31, 2005 was reviewed by the members of the Board of Directors as required by U.C.A. § 31A-2-204(8).

MANAGEMENT AND COTROL INCLUDING CORPORATE GOVERNANCE

Board of Directors

Pursuant to the Organization's Amended and Restated Bylaws, the Board of Directors shall consist of not less than three (3) Directors nor more than five (5). A majority of the Directors shall be residents of Utah. Directors serve for a one year term. Directors listed as serving and the principal occupations were as follows:

Name and Address	Principal Affiliation	Appointed
Douglas Scott Ideson Park City, Utah	President Regence BlueCross BlueShield of Utah	2004
Jeanette Dian Rogers Sandy, Utah	Vice President and General Counsel The Regence Group	2003
Russell Paul Warburton* Murray, Utah	Director, Cost Allocations The Regence Group	1980

* Chair of the Board

Officers

Operating management of the Company as of December 31, 2008 was under the direction of the following principal officers:

Name	Office
Douglas Scott Ideson	Chairman and President
Jeanette Dian Rogers	Vice President and Secretary
Russell Paul Warburton	Treasurer

Biographical affidavits for officers and directors were filed with the Department in accordance with U.C.A. § 31A-5-410(1)(a)(ii).

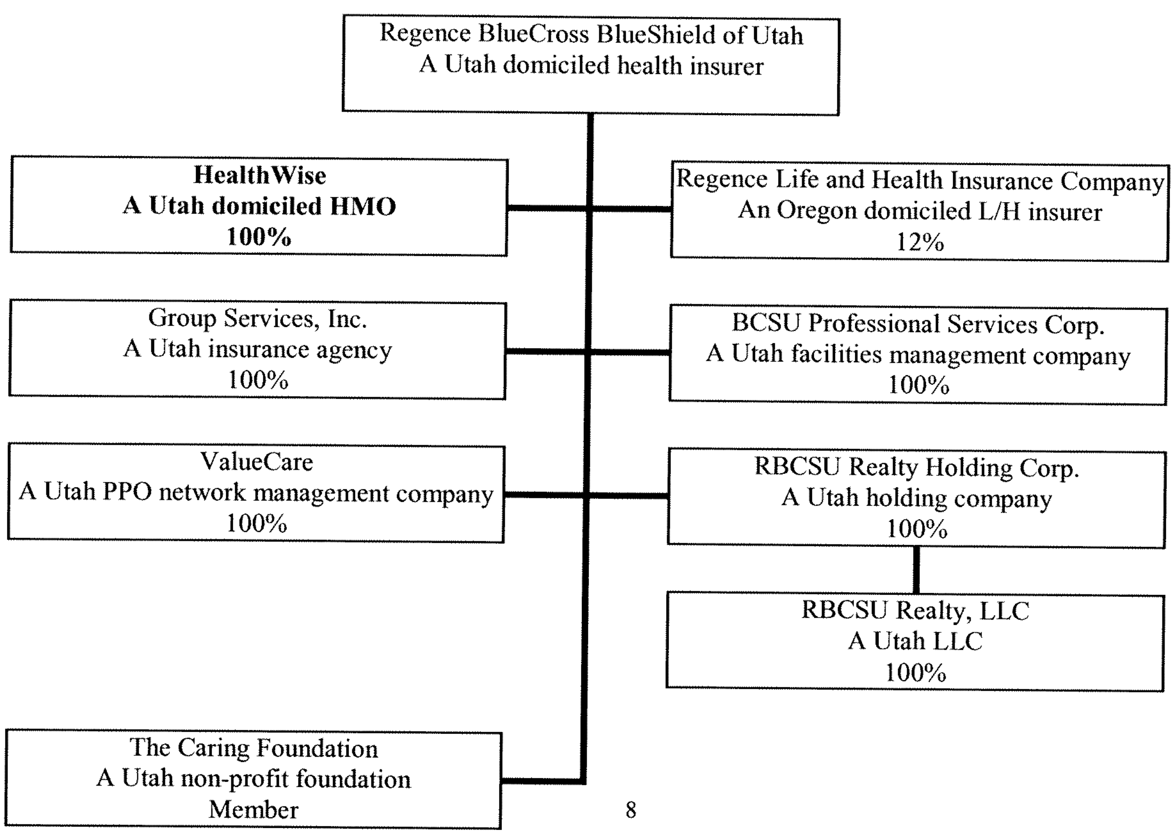
Conflict of Interest

The Company has in place an established conflict of interest policy and procedures for the disclosure of any material interest or affiliation by any director, officer or employee, which is likely to interfere with his or her official duties. From a review of the completed conflict of interest questionnaires, it appeared that the affected personnel performed due diligence in completing the conflict of interest statements. No conflicts of interest were identified as a result of the examination.

Holding Company

The Organization is a wholly owned subsidiary of Regence BlueCross BlueShield of Utah, while TRG is the sole member of Regence BlueCross BlueShield of Utah, a nonprofit corporation. TRG is also the sole member of Regence BlueCross BlueShield of Oregon and Regence BlueShield, a Washington nonprofit corporation, and managed Regence BlueShield of Idaho, Inc., under a management and administrative services agreement.

The following organization chart illustrates the Company's ownership structure:



Agreements with Affiliates

The Organization had no ownership interest in affiliated companies. The following identifies the Organization's management and administrative agreements with affiliates which define and control various aspects of the Organization's transactions and operations as of December 31, 2008:

Regence Administrative Services Agreement – entered into effective December 28, 2007, between TRG and the Company, together with all TRG insurance affiliates and subsidiaries. The agreement states TRG shall provide as needed and agreed upon all operational, administrative and management services reasonably necessary to transact the Company's business. These services include managerial, legal, financial, actuarial, underwriting, accounting, human resources, billing, membership, claims adjudication, customer service, reporting, regulatory compliance, and all applicable technical, clerical and communication support, as well as all necessary equipment, materials, office space and general supplies. Reimbursement is made using a cost allocation method described in the contract. It is the intent that TRG receive full compensation for the cost of their services and general overhead and taxes, and that no profit be derived from the agreement. Reconciliations will be performed monthly, and settlement of expenses shall be made no more than 90 days after the month end. The agreement will automatically renew each year, unless cancelled by any party upon 30 days written notice. The Department approved the agreement on February 8, 2008 in accordance with U.C.A. § 31A-16-106(1)(b)(iv).

Finance Agreement – entered into effective September 1, 1982, between the Company and RBCBSU, its direct parent. Pursuant to this agreement, RBCBSU agreed to provide the Company with initial and sustaining financial support and accept reinsurance of risk. As part of the agreement, RBCBSU will reinsure the Company where a member's aggregate claims for the calendar year exceeds $50,000. In the event of the Company's insolvency, RBCBSU will provide benefits to enrollees of the Company according to the Company's certificates until the expiration date of the certificates, after allowing for any contribution from local, state, or federal guaranty funds.

Operating Agreement – entered into effective September 1, 1982, between the Company and RBCBSU, its direct parent. Pursuant to this agreement, RBCBSU agreed to provide the Company necessary office and administrative services for the Company's continued operations. RBCBSU is reimbursed actual expenses allocated in accordance with generally accepted cost accounting principles. This amount is due and payable within thirty days after the month in which the expenses were incurred.

Advance Agreement – entered into effective September 1, 1982, between RBCBSU and three subsidiaries; the Company, ValueCare and Group Services, Inc. This agreement required that any advances made between the entities would be subject to interest, calculated on the basis of the prime interest rate as of January 1 of the calendar year.

Consolidated Tax Agreement – entered into effective January 1, 1997, between TRG and all of its taxable subsidiaries.

FIDELITY BOND AND OTHER INSURANCE

A review of the adequacy of limits, retentions, and the solvency of the insurers providing the insurance was considered during the examination of the Company's insurance coverage. TRG purchased insurance covering itself and all its subsidiaries. A fidelity bond covered losses up to $15,000,000 per occurrence, net of a $50,000 deductible, caused by employees' dishonesty and fraud. This coverage exceeded the minimum coverage recommended by the NAIC Financial Condition Examiners Handbook. Executive liability risks and D&O risks are covered up to $50,000,000 per loss occurrence net of a $250,000 deductible.

Other insurance coverages in force at December 31, 2008 included property, commercial general and excess liability, automobile liability, umbrella liability, fiduciary liability, computer crime liability, and workers' compensation. All insurance limits and deductibles appeared adequate as of December 31, 2008.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Employee Retirement Plans

The Company participates in a defined-benefit pension plan sponsored by TRG that covers substantially all regular employees having one or more years of service. Benefits are based upon years of service and the employee's final average compensation. The Company also participates in a supplemental executive retirement plan sponsored by TRG to cover key employees meeting specific eligibility requirements. The Company's practice is to reimburse TRG for employee retirement plan obligations and to record such amounts as employment related expenses. The Company has no legal obligation for benefits under these plans; the obligation is carried by TRG. As sponsor of the plan, however, TRG is legally required to fund the plans regardless of amounts paid to TRG by the Company. The Company's share of net expenses for the retirement plans was $237,042 and $439,000 in 2008 and 2007, respectively.

Effective December 31, 2009, the defined-benefit pension plan was frozen. Subsequent to the freeze date, there will be no new participants enrolled in the plan, and no pension benefits will be earned after that date. Benefits-eligible employees who have not yet met plan eligibility criteria were immediately eligible, and non-vested plan participants became fully vested.

Employee 401(k) Savings Plan

The Company participates in an employee savings plan sponsored by TRG in which the Company will match employee contributions up to 50 percent of the first six percent of salary for each pay period in which the employee makes a contribution. Beginning January 1, 2010, the contribution will be up to 100 percent of the first six percent of salary for each pay period in which the employee makes a contribution. In addition, a discretionary contribution of up to five percent of eligible earnings for eligible employees, subject to annual review and board approval will be added. The Company has no legal obligation for benefits under this plan; the obligation is carried by the by TRG. The contribution expense is allocated to the Company based on the portion of the employees' functional activities that relate to the Company. The Company's share of net expenses was $90,294 and $95,000 in 2008 and 2007, respectively.

Post-retirement Benefits Plans

The Company participates in a post-retirement health and welfare plan sponsored by TRG for retired employees, subject to certain eligibility rules based on age and years of service at retirement date. Employees hired after January 1, 2004 are not eligible for benefits. Expenses are allocated to the Company monthly, based on relative employee count. The Company has no legal obligation for benefits under this plan; the obligation is carried by TRG. As sponsor of the plan, however, TRG is legally required to fund the plan regardless of amounts paid to TRG by the Company. The Company's share of net expenses for the savings plan was $22,779 and $25,000 in 2008 and 2007, respectively.

Eligible participants who retire on or after January 2, 2010 and who are already eligible for Medicare on the basis of age or disability will not be eligible to enroll in the plan. Retirees must be enrolled as a participant in the active employee health and welfare plan immediately prior to retirement in order to be eligible to enroll in the plan, except for those individuals retiring between October 1, 2009, and January 1, 2010.

Deferred Compensation Plan

The Company offers a non-qualified deferred compensation program to certain key employees whereby they may defer a portion of their compensation. The Company has also adopted a Directors' Deferred Compensation Plan, which permits non-employee directors to receive their fees and retainers as member of the Board of Directors and committees of the Board in a form other than direct payments.

TERRITORY AND PLAN OF OPERATIONS

The Company holds a certificate of authority, which allows it to transact business as an HMO class insurer. The Company offers a full line of health insurance products for large and small employer groups. The Company also offers a range of supplementary products, including coverage for prescription drugs.

New and renewal business for the various lines of business was solicited by outside, independent agents and in-house marketing representatives who worked with the outside agents. All sizes of groups and individual Medicare supplement business were targeted under this marketing system. The Company considers its sales territory to include the entire state of Utah.

The Company's largest business line was comprehensive hospital and medical, which comprised 97.17% of net premiums in 2008. Other lines of business include Medicare supplement (1.6%) and other health (1.2%).

GROWTH OF COMPANY

The following exhibit depicts the Company's financial results throughout the examination period:

	2008	2007	2006	2005
Total admitted assets	$85,407,692	$80,715,561	$66,280,707	$56,400,611
Total liabilities	17,288,870	17,248,874	12,558,986	8,507,979
Capital and surplus	68,118,822	63,466,686	53,721,720	47,892,632
Net Income	7,624,956	9,620,849	4,181,727	6,568,012
Gross premiums written	96,484,158	98,360,977	84,145,873	67,446,887
Net premiums written	88,627,442	91,032,657	77,879,863	63,700,151

The Company generated net income of $7.6 million in 2008 compared to $9.6 million in 2007, a decrease of $2.0 million, or 20.7% percent. The decrease is primarily driven by realized investment losses on stocks due to market declines throughout 2008.

MORTALITY AND LOSS EXPERIENCE

The following exhibit shows the underwriting results of the Company for the period under examination. The amounts were compiled from the Company's filed Annual Statements and from examination results.

Year	Premiums Earned	Losses Incurred	Expenses Incurred	Combined Ratio
2008	$88,627,442	$60,081,798	$14,635,997	84.3%
2007	91,032,657	61,726,491	17,640,819	87.2
2006	77,879,863	56,473,194	16,246,411	93.4
2005	63,700,151	42,971,703	12,507,086	87.1

A combined ratio of losses incurred and expenses incurred to premiums earned in excess of 100% typically indicates an underwriting loss. As indicated from the ratio column above, the Company experienced an underwriting gain in the past four years.

REINSURANCE

Assumed

The Organization assumed no risks during the period under examination.

Ceded

The Organization ceded claims for incurred services that exceed $50,000 per calendar year per member (excluding dental subscriber certificates and Medicare supplement contracts) to its parent, RBCBSU, under the financial agreement discussed in the section of this report entitled "Transactions with Affiliates." Provisions include a limit of one year on the run out of paid claims after the calendar year the claim was incurred, after which the parent would not be liable for any further claims. The premium for this coverage was 7.5% of earned subscriber premiums (excluding dental and Medicare supplement premiums).

ACCOUNTS AND RECORDS

The Company utilizes an electronic data processing and information system for purposes of recording data related to contractual obligations and financial transactions. This data provided the basis from which the various reports needed for operations were developed. Journals, registers, statistical records and other reports summarizing the financial transactions from operations were prepared daily as a function of recording data. After review, the summary amounts from the journals, registers and reports were recorded on a general ledger by journal entry. General ledger account balances were reconciled to supporting data monthly. The general ledger provided the basic elements required for financial reporting.

A trial balance from each year under examination was prepared from the Company's general ledger. Account balances were traced to annual statement reports, exhibits, and schedules. Individual account balances were examined as deemed necessary.

The Company's independent auditors issued unqualified opinions on the Company's audited financial statements for each year during the examination period. No material exceptions were noted when agreeing the Company's audited financial statements to the respective annual statements. All of the independent audit work papers were made available to the examiners during the examination.

The examination of the accounts and records noted the following deficiencies:

Annual Statement Deficiencies

In a few instances, the Company failed to provide adequate disclosure in its 2008 Annual Statement, namely in Schedule D Part 1. These items were discussed with the Company.

We recommend that the Company hereafter file complete and accurate NAIC annual statements in accordance with the instructions provided.

STATUTORY DEPOSIT

The Organization's statutory deposit requirement was $986,274, pursuant to U.C.A. § 31A-8-211. The examination confirmed the Organization maintained a $1,250,000 statutory deposit consisting of the following for the benefit of all policyholders, claimants and creditors of the Organization. The statutory deposit was in excess by $263,726 to cover the required deposit.

State	Description of Deposit	Par Value	Book Value	Fair Value
Utah	US Treasury Note	$ 1,250,000	$ 1,279,415	$ 1,294,438

FINANCIAL STATEMENTS

The following financial statements were prepared from the Organization's accounting records and the valuations and determination made during the examination:

Statement of Assets as of December 31, 2008

Statement of Liabilities, Capital and Surplus as of December 31, 2008

Statement of Revenues and Expenses for the Year Ended December 31, 2008

Reconciliation of Capital and Surplus – 2005 through 2008

The Company Notes to Financial Statements are an integral part of the financial statements.

STATEMENT OF ASSETS
As of December 31, 2008

	BALANCE	NOTES
Assets		
Bonds	$ 59,607,553	1
Stocks		
Common stocks	10,452,829	
Cash, cash equivalents and short-term investments	8,044,810	
Aggregate write-ins for invested assets		
Subtotal, cash and invested assets	$ 78,105,192	
Investment income due and accrued	566,457	
Premiums and considerations:		
Uncollected premiums and agent's balances in the course of collection	1,255,264	
Reinsurance		
Amounts recoverable from reinsurers	772,165	
Amounts receivable relating to uninsured plans	1,222,636	
Net deferred tax asset	258,748	
Receivables from parent, subsidiaries, and affiliates	3,088,223	
receivable	139,007	
Total Assets	$ 85,407,692	

STATEMENT OF LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2008

	BALANCE	NOTES
Liabilities, Capital and Surplus		
Claims unpaid	$ 9,203,815	2
Unpaid claims adjustment expense	255,548	
Aggregate health policy reserves	120,567	
Premiums received in advance	604,800	
General expenses due or accrued	711,315	
Current FIT payable and interest thereon	5,095,528	
Ceded reinsurance premiums payable	777,691	
Remittances and items not allocated	635	
Payable for securities	164,330	
Liability for amounts held under uninsured plans	128,552	
Aggregate write-ins for other liabilities	226,089	
Total Liabilities	$ 17,288,870	
Common capital stock	191,680	
Gross paid in and contributed surplus	3,808,480	
Unassigned funds (surplus)	64,118,662	
Total capital and surplus	68,118,822	3
Total liabilities, capital and surplus	$ 85,407,692	

STATEMENT OF REVENUE AND EXPENSES
For the Year Ended December 31, 2008

	BALANCE
Net premium income	$ 88,627,442
Fee-for-service	-
Risk revenue	-
Aggregate write-ins for other	-
Total Revenues	88,627,442
Hospital and Medical:	
Hospital/medical benefits	35,172,805
Other professional services	22,723,176
Outside referrals	463,294
area	3,641,004
Prescription drugs	9,108,873
Subtotal:	71,109,152
Less:	
Net reinsurance recoveries	11,027,354
Total hospital and medical	60,081,798
Claim adjustment expenses	3,748,664
expenses	10,887,333
Total underwriting deductions	74,717,795
Net underwriting gain or loss	13,909,647
Net investment income earned	3,123,794
(losses)	(2,481,746)
Net investment gains or (losses)	642,048
income or expense	(609,888)
federal income taxes	13,941,807
taxes incurred	6,316,851
Net Income (loss)	$ 7,624,956

RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION
For the Year Ended December 31,

	2008	2007	2006	Prior Exam 2005
Capital and surplus, December 31, previous	$ 63,466,686	$ 53,721,720	$ 47,892,632	$ 41,123,593
Net income	7,624,956	9,620,850	4,181,727	6,568,012
Change in net unrealized capital gains (losses)	(2,255,261)	141,616	1,817,128	168,407
Change in unrealized foreign exchange capital gain or (losses)	-	-	-	-
Change in net deferred income tax	1,425,168	(219,378)	(79,110)	(38,000)
Change in nonadmitted assets	(2,142,727)	201,878	(90,657)	70,620
Surplus adjustments:	(41,680)			
Paid in				
Change in surplus as regards policyholders for the year	41,680			
	4,652,136	9,744,966	5,829,088	6,769,039
Surplus as regards policyholders, December 31, current year				
	$ 68,118,822	$ 63,466,686	$ 53,721,720	$ 47,892,632

COMMENT ON FINANCIAL STATEMENT

Note 1 – Bonds Investment

The Company's $59.6 million bond portfolio was concentrated in corporate and structured securities. The corporate bond portfolio was the largest bond class. The $30.5 million of corporate bonds represented 51% of total bonds. The credit quality of the bond portfolio was excellent with 100% designated NAIC 1 or NAIC 2. The Company reported no subprime exposure at December 31, 2008. The Company engaged in a securities lending program in 2008 to generate additional income. At December 31, 2008, the $4.96 million in bonds lent represented 8.3% of total bonds and the $88,000 of equity securities lent represented .84% of equity. The collateral received had a fair value of approximately $5.14 million on December 31, 2008, representing 102% of the fair value of lent securities.

Note 2 - Claims Unpaid and Unpaid Loss Adjustment Expense

As of year-end 2008, the Company reported a claims unpaid liability and unpaid loss adjustment expense in the amount of $9,203,815 and $255,548, respectively. Scott L. Fitzpatrick, F.S.A M.A.A.A., is a Life & Health actuary with the Oregon Insurance Division. Mr. Fitzpatrick performed an independent review of actuarial assumptions and methodologies of the actuarial liabilities established by the Company as of December 31, 2008. Mr. Fitzpatrick concluded the statement of actuarial liabilities at year-end for the Annual Statement was appropriate and adequate.

Note 3 – Capital and Surplus

As defined by U.C.A. 31A-17 Part 6, the Organization had total adjusted capital of $68,118,822. The Organization's minimum capital requirement was $100,000 as defined in U.C.A. 31.A-8-209. Its authorized control level risk based capital requirement pursuant to examination was $3.17 million with a risk based capital ratio of 21.46.

SUMMARY OF RECOMMENDATIONS

The following is a summary of the comments and recommendations made in this report of examination.

Page	
4	**We recommend that henceforth, when implementing or changing custodial agreements, the Company comply with U.A.C. Rule R590-178-5 and obtain authorization by a resolution of the Board of Directors or an authorized committee of the board in its custodial agreements.**
13	**We recommend that the Company hereafter file complete and accurate Annual Statements in accordance with the instructions provided.**

ACKNOWLEDGEMENT

Participating in this examination for the state of Oregon were Greg Lathrop, CFE, Examiner-in-Charge, with participating examiners Mark Giffin, CFE, Raymond W. Anderson, CFE, Ellen Quale, AFE, and Scott Fitzpatrick, F.S.A., M.A.A.A.

Participating examiners for the Utah Insurance Department were Aaron Phillips, CFE, and Brandon Thomas, HISP, MCM, of Huff, Thomas & Company. Colette M. Hogan Sawyer, CFE, CPM, PIR, Assistant Chief Examiner and Donald Catmull, CFE, supervised the examination for the state of Utah. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Company.

Respectfully Submitted,

David L Daulton, CFE
of Huff, Thomas & Company
Examiner-In-Charge, representing the Utah
Insurance Department